

Washington, D.C. 20505

2 FEB 1979

MEMORANDUM FOR: The President

SUBJECT : Plan for the Elimination of Waste, Fraud, and Error

1. Forwarded, herewith, is the Central Intelligence Agency's comprehensive plan for the elimination of waste, fraud, and error as requested in your 13 December 1978 memorandum to the Heads of Executive Departments and Agencies. This plan describes the longstanding, elaborate, and effective system that this Agency uses to prevent wastefulness in the use of its resources, to reduce the possibility of fraud or error, and to ensure that instances of fraud or error are quickly detected and vigorous corrective action taken. (U)

2. I have designated Frank C. Carlucci, Deputy Director of Central Intelligence, as the Agency official accountable directly to me who will monitor the continuing effectiveness of this plan. (U)

3. I will continue to personally review and respond to major allegations of waste, fraud, or error that may be made by the Comptroller General or others. In this regard, I will continue to report evidence of possible violations of Federal criminal law to the Attorney General and on Agency activities which raise questions of legality or propriety to the Intelligence Oversight Board in accordance with Executive Order 12036. Additionally I will continue to respond to Congressional inquiries and to report to the appropriate Congressional committees on illegal or improper activities in accordance with Executive Order 12036 and your guidelines concerning such reporting. (U)

4. I will cooperate fully with the Director of the Office of Management and Budget, the Attorney General, and the Director

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of the Office of Personnel Management in assisting them in carrying out those responsibilities that affect this Agency concerning the elimination of waste, fraud, or error that you assigned them in your 13 December 1978 memorandum. (U)

5. I wish to assure you personally that, while the Inspector General Act of 1978 does not apply directly to the Central Intelligence Agency, I subscribe fully to its objectives. I am mindful of the special authorities and responsibilities that you and the Congress have levied on this Agency in requiring that its intelligence activities be conducted with the highest standards of fiscal integrity without the risks to national security of public scrutiny. This Agency is meeting these responsibilities and, in an environment where intelligence resources--both human and financial--are shrinking and the need for more and better intelligence is increasing, feels a special sense of urgency to ensure that its resources are not wasted. (U)

6. Finally, as Director of Central Intelligence with Intelligence Community budgetary authority, I have an additional responsibility to review Agency programs and resources in comparison with those of the other elements of the Intelligence Community. Special attention is given to those areas where duplication of effort may arise and where shifting priorities for national intelligence may require resource reallocation. (U)

/s/ Stansfield Turner

STANSFIELD TURNER

Attachment

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THE CENTRAL INTELLIGENCE AGENCY PLAN
FOR THE ELIMINATION OF WASTE, FRAUD, AND ERROR

1. The Central Intelligence Agency's plan for the elimination of waste, fraud, and error is based on four inter-related activities:

a. A comprehensive and effective program budget development and approval process designed to ensure that Agency resources are effectively focused on priority intelligence needs.

b. A detailed, current financial, equipment, and manpower accounting system that ensures that Agency resources are efficiently used for approved activities and are subject to frequent review to ensure that these resources are sensitive to rapidly changing requirements.

c. An elaborate and thorough oversight capability that provides timely and independent assurance that Agency activities are conducted in an efficient and effective manner, responsive to priority intelligence needs, and comply with appropriate directives, regulations, and statutes. This capability includes the assurance that any activities that may be illegal or improper, including those that may concern waste, fraud, or error are promptly detected, reported to appropriate authorities, and subject to prompt administrative or legal action.

d. The maintenance of high personnel recruiting and employment standards that ensure that the Agency continues to attract and retain employees with the intellectual capacity, high professional standards, and incentive to prevent waste or error, eliminate it when it appears and, to prevent or eliminate fraud or the opportunity to engage in fraudulent activities.

2. Program Budget Development and Approval. A key element in the elimination of waste in Agency programs is to ensure that only efficient, cost-effective activities are approved. To this end, the Agency has a well designed and managed ongoing program for the allocation and control of resources. This program is under the direction of the Comptroller, who reports directly to the DDCI and the DCI. The Comptroller is responsible for Agency-wide program planning and budget formulation, budget execution, and monitoring resource usage. To ensure the most efficient and cost-

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effective use of available resources, mechanisms have been established by the Comptroller for guiding the development of resource requirements, the evaluation of resource requests in consideration of competing priorities, the continuous monitoring of obligations against approved programs, and the reallocation of resources as needed to meet changing priorities. The Agency's broad plan to ensure the conduct of its activities consistent with its overall intelligence mission in a manner to guard against waste, fraud and error, and maximize efficiency and productivity encompasses the continued participation of managers at all levels in the resource process and the active involvement of senior management in the review and monitoring of resource use.

3. The elimination of waste is specifically addressed by the Comptroller and heads of Agency components through the careful analysis of proposed activities during the planning cycle for future years and through the close monitoring of the operating budget each year to ensure that approved programs are implemented according to plans. Agency program planning and budget formulation activities include:

- Comptroller review and evaluation of program and budget submissions from Agency components and directorates;
- analysis of these submissions as well as the on-going activities of the organizations concerned for completeness, clarity, accuracy, timeliness, consistency, efficiency, cost-effectiveness, possible duplication, and overall justification;
- assessment of cost benefit factors and examining possible trade-offs among current/proposed activities; and
- intra-Agency allocation of resources and implementation of programmatic decisions of the DCI and DDCI.

4. Concurrent with Agency review of its resource proposals are the continuous and detailed review of Agency activities, programs and budgets by the Director of Central Intelligence's Resource Management Staff, by representatives of the Office of Management and Budget, and by the staffs of the Senate and House of Representative Appropriations and Intelligence Committees. Certain sensitive programs are subject to further review and approval by the National Security Council's Special Coordinating Committee or the Policy Review Committee (Intelligence). In sum,

these external reviews provide additional assurance that CIA programs are coordinated with other Intelligence Community programs and specifically guard against the possibility of wasteful or unnecessary duplication between programs. The rapid increase in Congressional oversight in the past few years also acts as a mechanism for controlling waste, fraud and error. The extensive reviews of each National Foreign Intelligence Program, first in the authorization and then in the appropriation process, coupled with a very firm control by each committee over proposed reprogrammings during budget execution serve to eliminate conditions which could lead to waste, fraud, or error.

5. Resource Accountability systems for the detailed, current control of financial, equipment, and manpower are well developed and effective in CIA. Key among these is the Financial Resource System by which the Agency's Director of Finance meets the Director's statutory responsibility to establish and maintain systems of accounting and internal control designed to provide full disclosure of the financial results of Agency activities, adequate financial information needed for Agency management purposes, and effective control over and accountability for all funds and other assets for which the Agency is responsible. The Director of Finance is also charged with the statutory responsibilities of ensuring the administrative examination of all accounts and vouchers to ascertain whether they represent legal claims against the United States and ensuring that all claims and vouchers are certified legal, proper, and correct in accordance with law and the Agency's appropriation. These accounting systems are an integral part of the Agency's management control over resources and operations and are used by components, Directorates, and the Comptroller for the approval of expenditures and review of their use.

6. Similarly, equipment, personnel, and contract management are subject to detail and frequent scrutiny to ensure that their use is effective and sensitive to changing priorities and requirements. Among the other Agency-wide accountability systems are those maintained by the Office of Logistics in the fields of procurement, real estate and construction, and supply operations, including property accountability and disposal. The Office of Personnel through the position management and classification survey program acts as an Agency evaluation and investigative arm and serves, in cooperation with Agency managers, to identify and eliminate waste of manpower resources. The Office of Training through its Curriculum Committee periodically reviews OTR's curriculum to make certain that course offerings are pertinent to Agency needs while ensuring maximum utilization of OTR resources. The Office of Data Processing works closely with the Office of the Comptroller in the development and use of programs which account for expensive

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ADP resources. Monthly reports of computer usage are submitted to Directorate ADP Control Officers, who are expected to share them with the various components which use computer services. Periodically, each production programming system is re-examined by the customer for continued justification, and by ODP for continued efficiency and maintainability.

7. On an Agency-wide basis, the Comptroller exercises close supervision of the use of Agency resources by:

a. issuing financial guidance, including approved resource levels (positions and funds), to the Directorates and other components;

b. establishing and maintaining financial/budgetary controls (e.g., thresholds on the reprogramming of funds) to ensure Agency funds are expended on the items included within the budget enacted by Congress unless the accepted procedures for change are followed;

c. examining monthly budget trend data from our Financial Resources System (FRS) to monitor actual obligations and commitments as compared to the budget to spot any anomalies particularly if they will result in surplus funds or insufficient funds and to address significant unfunded requirements which might arise;

d. conducting monthly Comptroller Meetings with the Deputy Directors to apprise them of the Agency's financial condition and each Directorate's ability to stay within its approved budget, identifying resource issues, making proposals, and obtaining decisions about any future redistribution of Agency funds and positions; and

e. closely monitoring the expenditure of year-end funds to avoid shortfalls, cost overruns, or deficits.

8. Within each Directorate, periodic reviews of the use of approved resources are conducted to ensure effective, efficient and proper use. At the Station, Division or Office operating level, approval and review of resources by the component supervisor and a budget and finance officer serve to ensure close control over resource expenditure:

9. Oversight of Agency activities is conducted by numerous internal and external groups. This effort is conducted generally under the provisions of Executive Order 12036. This serves to

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ensure that Agency activities are not only conducted in a legal and proper manner, but are effectively and efficiently carried out. This encompasses:

a. Agency employees who are required, not only to conduct their activities legally and in accordance with assigned missions; but to report any evidence of illegal or improper activity by employees to the Director or Inspector General.

b. Agency managers who are rated annually on their effective and efficient use of resources and are held accountable for the activities of their components.

c. The Inspector General who is responsible for the independent examination of Agency activities on behalf of the Director. He conducts periodic audits and inspections of Agency components to ensure that their activities are conducted in a legal, proper, effective and efficient manner, investigates allegations of questionable activities, conducts special studies of significant management problems and investigates personnel grievance cases. His Inspection Staff conducts a detailed review of Agency components with emphasis on the frequent examination of activities conducted in the United States and on the part of overseas stations. His Audit Staff conducts thorough audits of Agency financial and other resource use on a scheduled basis, with special emphasis on the use of Agency ADP equipment. These audits are conducted to meet General Accounting Office standards. In accordance with Executive Order 12036, the Inspector General reports evidence of violations of law to the General Counsel and activities which raise questions of legality or propriety to the Intelligence Oversight Board as well as to the Director.

d. The General Counsel provides legal review and counsel with respect to Agency activities, reports possible violations of Federal law to the Attorney General, and reports questionable activities to the Intelligence Oversight Board and to the Director.

e. The Intelligence Oversight Board not only reviews the reports of the Inspector General, General Counsel and Director concerning questionable Agency activities, but investigates certain Agency activities on its own behalf.

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f. The Senate and House intelligence committees and their substantial staffs now conduct their own investigations of Agency activities of concern to them, as well as requiring the Agency, through the mechanisms described above, to conduct internal investigations and report to them.

10. The oversight capabilities described above not only represent a substantial and effective mechanism for identifying, reporting, and correcting waste, fraud, and errors, but provide a powerful deterrent to employees who might consider fraudulent actions or might be less vigilant in preventing or eliminating waste or error.

11. Employee Quality and Attitude are perhaps the most important, and certainly the most essential, ingredient in any plan to eliminate waste, fraud, or error. The Agency not only maintains the highest professional standards of efficiency and conduct but ensures the continuation of these standards by the stiff requirements of qualification, character, and security suitability maintained in the recruiting of new employees. As part of this process, the Office of Security conducts an extensive background investigation and security assessment of all incoming employees followed by a reinvestigation program complete with polygraph conducted on a 5-year cycle. The purpose of these investigations is to establish the excellence of character, honesty, and integrity of Agency employees and, thus, contribute significantly to minimizing waste and fraud. Employees that fail to meet these high standards are subject to administrative or legal penalty, including dismissal.

12. The Agency's Suggestion Award Program has been particularly successful in bringing out employee ideas on how the Agency can conduct its activities more efficiently. This program has resulted in the elimination of wasteful practices which have saved the Agency substantial resources.

13. All portions of this document are classified Confidential.

